



THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

Q1 2022

Wilson Sonsini Named to *Fast Company's* "World's Most Innovative Companies in North America" List



In March 2022, Wilson Sonsini was named to *Fast Company's* prestigious annual list of the World's Most Innovative

Companies in North America for 2022—the first time a law firm is among the innovative, technology-driven companies named to the list.

The World's Most Innovative Companies list honors businesses

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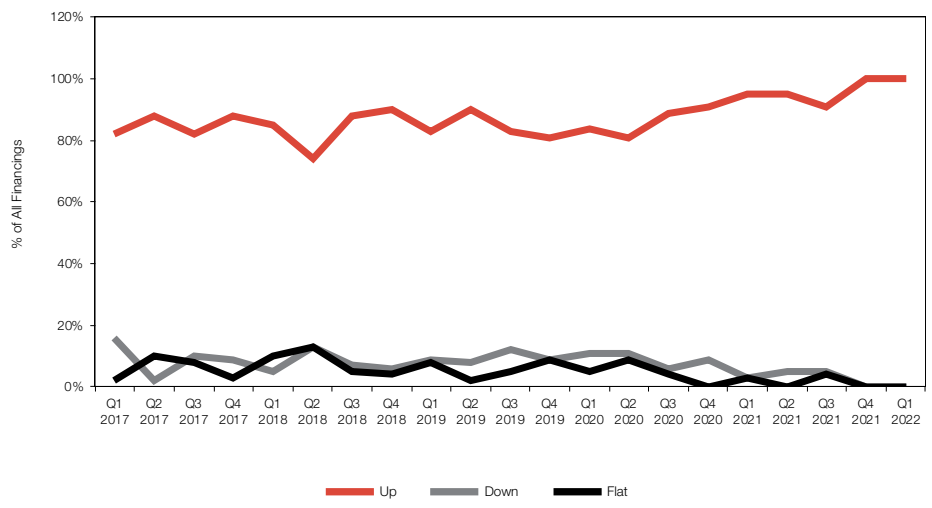
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From the Wilson Sonsini Database: Financing Trends for Q1 2022

Up and Down Rounds by Quarter



Following a record-breaking 2021 for the venture market, the first quarter of 2022 saw a cooling in the face of economic and geopolitical uncertainties. Even so, pre-money valuations and amounts raised remained strong by historical standards, particularly for Series C and later financings. Additionally, for the second consecutive quarter, there were no flat or down rounds in Q1 2022. However, there are early indications in Q2 2022 of down rounds and reduced valuations, and we expect that the severe decline in the valuations of publicly traded technology companies will spill over to the private market. Notwithstanding the cooling

of the market, we have not yet seen meaningful changes in the key terms of venture financings.

During the same period, as equity markets tightened and the time to secure and close venture financings lengthened, bridge financings retained momentum. The median amounts raised through pre- and post-Seed bridge loans increased in Q1 2022 compared to the prior quarter.

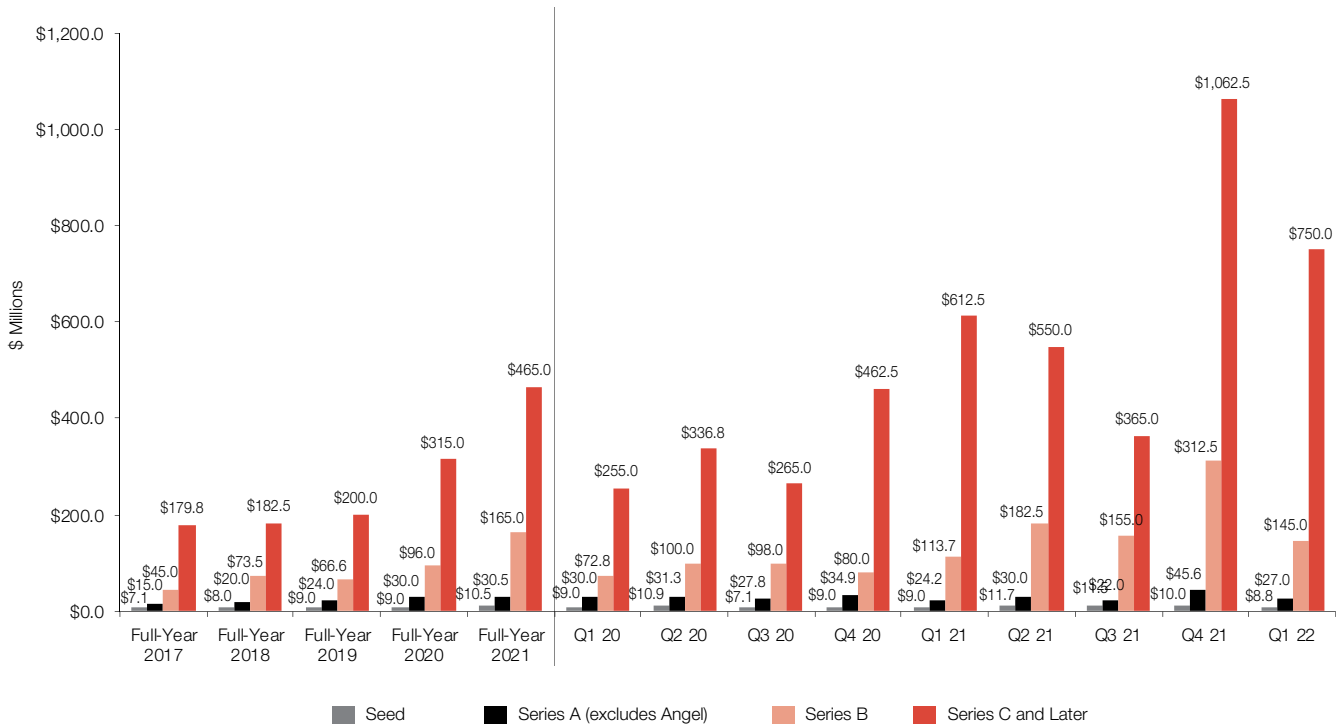
Up and Down Rounds

A full 100% of Series B and later financings were up rounds in Q1 2022, matching the record-breaking high

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Median Pre-Money Valuation



in Q4 2021 and continuing the longest quarterly streak of up rounds reaching 90% or higher. There were no down-round or flat-round financings in Q1 2022, same as Q4 2021.

Valuations

Median pre-money valuations in Q1 2022 fell across all rounds when compared to the highs reached in Q4 2021, but remained strong by pre-2021 standards. The median pre-money valuation for Series Seed financings decreased slightly, from \$10.0 million in Q4 2021 to \$8.8 million in Q1 2022. The Series A median pre-money valuation saw a sharper decline, from \$45.6 million in Q4 2021 to

\$27.0 million in Q1 2022, not far off from the \$24.2 million median in Q1 2021.

The Series B median pre-money valuation lost more than half its value, dropping from the record high of \$312.5 million in Q4 2021 to \$145.0 million in Q1 2022—still higher than the Q1 2021 median of \$113.7 million.

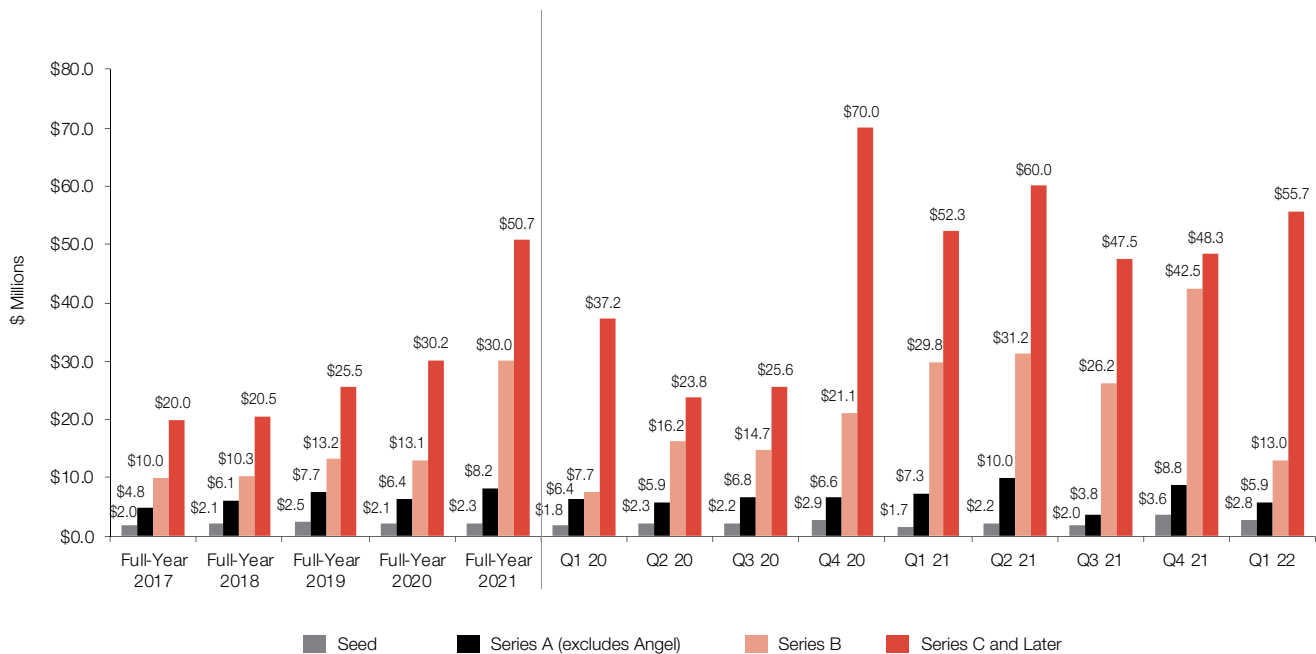
The Q1 2022 median pre-money valuation of Series C and later rounds followed a similar trend, landing at \$750.0 million, as compared to \$1,062.5 million in Q4 2021, but still marking the second-highest quarterly median that we have recorded.

Amounts Raised

After registering all-time highs in Q4 2021, median amounts raised drifted downward for all but Series C and later rounds. The median amount raised for Series Seed financings decreased from \$3.6 million in Q4 2021 to \$2.8 million in Q1 2022, yet still remained higher than the full-year 2021 median of \$2.3 million. The median amount raised for Series A financings also declined, from \$8.8 million in Q4 2021 to \$5.9 million in Q1 2022, but remained higher than the Q3 2021 median of \$3.8 million.

The median amount raised for Series B financings plummeted from \$42.5

Median Amount Raised – Equity Financings



million in Q4 2021 to \$13.0 million in Q1 2022, a low not seen since Q1 2020 at \$7.7 million. In contrast, for Series C and later transactions, the median amount raised increased from \$48.3 million in Q4 2021 to \$55.7 million in Q1 2022.

Deal Terms – Preferred

Deal terms continued to be company-favorable in Q1 2022. Seventy-five percent of all post-Series A rounds had *pari passu* liquidation preferences in Q1 2022, the same as 2021. The percentage of financings with non-participating preferred increased slightly to 92% in Q1 2022, as compared to 90% in 2021.

Broad-based weighted average anti-dilution ticked up to 100% in Q1 2022, as compared to 97% in 2021. The inclusion of redemption provisions dipped slightly, from 10% in 2021 to 8% in Q1 2022.

Further detailed data on deal terms are set forth in the table on page 4. To see how the terms tracked in the table can be used in the context of a financing, we encourage you to draft a term sheet using our automated [Term Sheet Generator](#), which is available in the Emerging Companies section of the firm’s website, www.wmgr.com.

SAFE Financings

Raising money on Simple Agreements for Future Equity (SAFEs) is popular among emerging companies in Silicon Valley due to their simple, largely company-favorable terms. The Q1 2022 median amount raised for SAFE financings was \$1.52 million. In Q1, 57% of SAFE financings included a discount, and the median discount was 13%. One hundred percent of SAFEs included a valuation cap, and the median valuation cap was \$15.0 million, which shows that SAFEs are being used primarily for early-stage financings. Fifty-seven percent of SAFEs included both a valuation cap and a discount, and 29% of SAFEs that were issued used the “Most Favored Nations” form of SAFE.

THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

Private Company Financing Deal Terms (Wilson Sonsini Deals)¹

	2017 All Rounds ²	2018 All Rounds ²	2019 All Rounds ²	2020 All Rounds ²	2021 All Rounds ²	Q1 2022 All Rounds ²	2017 Up Rounds ³	2018 Up Rounds ³	2019 Up Rounds ³	2020 Up Rounds ³	2021 Up Rounds ³	Q1 2022 Up Rounds ³	2017 Down Rounds ³	2018 Down Rounds ³	2019 Down Rounds ³	2020 Down Rounds ³	2021 Down Rounds ³	Q1 2022 Down Rounds ⁵
Liquidation Preferences - Series B and Later																		
Senior	35%	31%	35%	35%	24%	25%	31%	28%	30%	32%	23%	25%	63%	36%	63%	56%	50%	N/A
<i>Pari Passu</i> with Other Preferred	62%	69%	63%	63%	75%	75%	66%	72%	68%	67%	76%	75%	38%	64%	37%	44%	50%	N/A
Junior	0%	0%	1%	0%	1%	0%	0%	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%	N/A
Complex	3%	0%	2%	1%	0%	0%	4%	0%	2%	1%	0%	0%	0%	0%	0%	0%	0%	N/A
Participating - Cap																		
Participating - Cap	6%	5%	5%	4%	4%	2%	7%	5%	5%	6%	4%	3%	31%	7%	5%	0%	0%	N/A
Participating - No Cap	10%	7%	10%	8%	6%	6%	11%	7%	12%	8%	7%	8%	19%	14%	32%	24%	0%	N/A
Non-participating	84%	88%	85%	88%	90%	92%	82%	88%	83%	86%	89%	89%	50%	79%	63%	76%	100%	N/A
Dividends																		
Yes, Cumulative	7%	7%	5%	10% ⁴	5%	3%	9%	9%	6%	10% ⁴	6%	3%	13%	23%	11%	25% ⁴	0%	N/A
Yes, Non-cumulative	78%	61%	56%	79% ⁴	56%	52%	78%	62%	67%	83% ⁴	65%	58%	81%	69%	79%	69% ⁴	57%	N/A
None	16%	32%	39%	10% ⁴	39%	44%	13%	29%	28%	7% ⁴	29%	39%	6%	8%	11%	6% ⁴	43%	N/A
Anti-dilution Provisions																		
Weighted Average - Broad	94%	94%	94%	95%	97%	100%	96%	94%	99%	98%	98%	100%	100%	100%	89%	76%	100%	N/A
Weighted Average - Narrow	2%	2%	0%	1%	1%	0%	1%	3%	0%	2%	1%	0%	0%	0%	5%	6%	0%	N/A
Ratchet	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	5%	6%	0%	N/A
Other (Including Blend)	1%	1%	1%	1%	0%	0%	1%	1%	0%	1%	1%	0%	0%	0%	0%	0%	0%	N/A
None	3%	3%	4%	2%	1%	0%	1%	2%	1%	0%	0%	0%	0%	0%	0%	12%	0%	N/A
Pay to Play - Series B and Later																		
Applicable to This Financing	2%	4%	2%	3%	3%	0%	2%	1%	1%	3%	3%	0%	6%	0%	16%	6%	17%	N/A
Applicable to Future Financings	0%	1%	1%	1%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	6%	0%	N/A
None	98%	95%	97%	93%	97%	100%	98%	97%	99%	97%	97%	100%	94%	100%	84%	88%	83%	N/A
Redemption																		
Yes, Redemption	19%	9%	14%	13%	10%	8%	28%	13%	17%	10%	15%	11%	20%	14%	26%	25%	17%	N/A
None	81%	91%	86%	88%	90%	92%	72%	87%	82%	90%	86%	89%	80%	86%	74%	75%	83%	N/A

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

² Includes flat rounds and, unless otherwise indicated, Series A rounds.

³ Note that the All Rounds metrics include flat rounds and, in certain cases, Series A financings as well. Consequently, metrics in the All Rounds column may be outside the ranges bounded by the Up Rounds and Down Rounds columns, which will not include such transactions.

⁴ The 2020 increase in the number of transactions reported as including dividends resulted in part from a change to our reporting methodology.

⁵ There were no down rounds in Q1 2022.

Bridge Loans

Median amounts raised increased for both pre- and post-Seed bridge loans in Q1 2022. The median amount raised in pre-Seed bridge loans grew from \$2.00 million in Q4 2021 to \$2.75 million in Q1 2022. The median amount raised for post-Seed bridge loans also increased, from \$2.98 million in Q4 2021 to \$3.50 million in Q1 2022.

Deal Terms – Bridge Loans

Pre-Seed bridge loans had shorter maturity periods in Q1 2022, with 67%

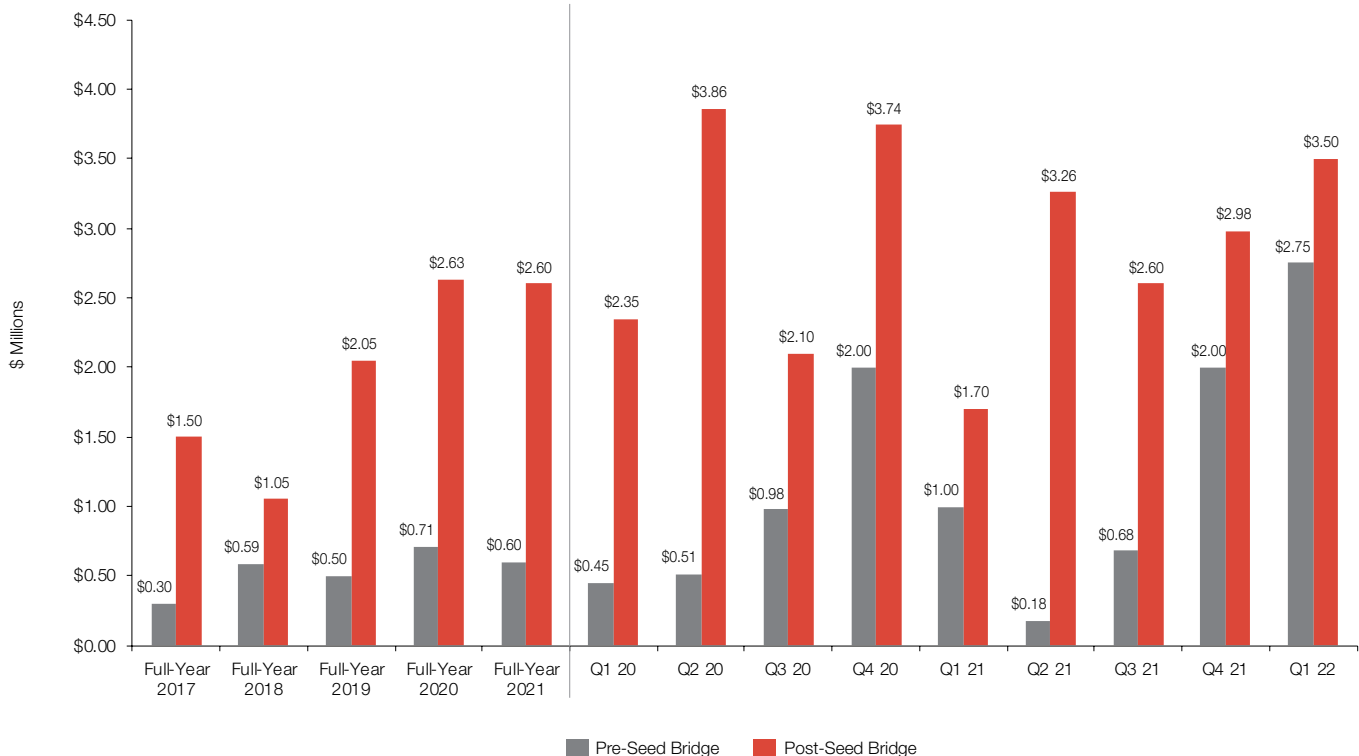
having maturity periods of more than 12 months, down from 81% in 2021, and all bore interest rates less than 8%, as compared to 90% in 2021. None of the pre-Seed loans that closed in Q1 2022 offer discounts on conversion to equity; rather, all convert at the same price as other investors.

The percentage of 2021 post-Seed bridge loans with maturity periods of more than 12 months increased, from 58% in 2021 to 78% in Q1 2022, with 89% of loans having interest rates less than 8% in Q1 2022, as compared to 69% in 2021. The percentage of post-Seed bridge

loans subordinated to other debt fell from 48% in 2021 to 33% in Q1 2022. The percentage of post-Seed bridge loans subject to a price cap also decreased, from 52% in 2021 to 25% in Q1 2022.

All post-Seed bridge loans closed in Q1 2022 are convertible to equity at discounted prices, up from 70% in 2021, but the number of such convertible loans receiving a discount rate of 20% or more on conversion decreased slightly, from 79% in 2021 to 72% in Q1 2022.

Median Amount Raised – Bridge Loans



THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

Bridge Loans - Deal Terms (Wilson Sonsini Deals)¹

Bridge Loans	2017 Pre-Seed	2018 Pre-Seed	2019 Pre-Seed	2020 Pre-Seed	2021 Pre-Seed	Q1 2022 Pre-Seed	2017 Post-Seed	2018 Post-Seed	2019 Post-Seed	2020 Post-Seed	2021 Post-Seed	Q1 2022 Post-Seed
Interest rate less than 8%	75%	67%	87%	85%	90%	100%	56%	65%	70%	54%	69%	89%
Interest rate at 8%	17%	22%	4%	11%	5%	0%	27%	25%	22%	30%	24%	0%
Interest rate greater than 8%	8%	11%	9%	4%	5%	0%	17%	10%	8%	16%	7%	11%
Maturity less than 12 months	22%	21%	13%	11%	14%	33%	41%	21%	26%	27%	25%	22%
Maturity at 12 months	8%	13%	9%	11%	5%	0%	19%	26%	14%	13%	18%	0%
Maturity more than 12 months	69%	67%	78%	79%	81%	67%	41%	53%	60%	60%	58%	78%
Debt is subordinated to other debt	28%	23%	27%	13%	14%	0%	33%	47%	49%	46%	48%	33%
Loan includes warrants ²	0%	4%	2%	4%	0%	0%	16%	18%	8%	12%	6%	22%
Warrant coverage less than 25%	N/A	0%	100%	100%	N/A	N/A	43%	33%	80%	67%	0%	0%
Warrant coverage at 25%	N/A	0%	0%	0%	N/A	N/A	14%	11%	0%	0%	0%	0%
Warrant coverage greater than 25%	N/A	100%	0%	0%	N/A	N/A	43%	56%	20%	33%	100%	100%
Automatic conversion into equity on qualified financing ³	94%	98%	100%	100%	100%	100%	93%	96%	96%	92%	96%	100%
Voluntary conversion into equity on qualified financing ³	6%	2%	0%	0%	0%	0%	7%	4%	4%	8%	4%	0%
Conversion rate subject to price cap ⁴	74%	69%	69%	68%	71%	100%	34%	25%	51%	36%	52%	25%
Conversion to equity at discounted price ⁵	89%	83%	68%	78%	75%	0%	76%	85%	81%	79%	70%	100%
Discount on conversion less than 20%	16%	23%	18%	11%	20%	N/A	20%	20%	27%	25%	21%	29%
Discount on conversion at 20%	74%	60%	63%	69%	60%	N/A	50%	48%	57%	46%	63%	29%
Discount on conversion greater than 20%	10%	17%	18%	20%	20%	N/A	30%	33%	16%	29%	16%	43%
Conversion to equity at same price as other investors	3%	14%	12%	13%	15%	100%	24%	6%	11%	17%	25%	0%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

² Of the 2017 post-Seed bridges with warrants, 60% also had a discount on conversion into equity. Of the 2018 post-Seed bridges with warrants, 45% also had a discount on conversion into equity. Of the 2019 post-Seed bridges with warrants, 71% also had a discount on conversion into equity. Of the 2020 post-Seed bridges with warrants, 44% also had a discount on conversion into equity. Of the 2021 post-Seed bridges with warrants, 100% also had a discount on conversion into equity. Of the Q1 2022 post-Seed bridges with warrants, 0% also had a discount on conversion into equity.

³ The 2017 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$2M and \$10M, respectively. The 2018 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$5M, respectively. The 2019 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$4M and \$8M, respectively. The 2020 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$10M, respectively. The 2021 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$4M and \$10M, respectively. The Q1 2022 median dollar threshold for a qualified financing in pre- and post-Seed bridges was the same at \$15M.

⁴ The 2017 median price cap in pre- and post-Seed bridges was \$10M and \$25M, respectively. The 2018 median price cap in pre- and post-Seed bridges was \$8M and \$40M, respectively. The 2019 median price cap in pre- and post-Seed bridges was \$9M and \$35M, respectively. The 2020 median price cap in pre- and post-Seed bridges was \$8M and \$47M, respectively. The 2021 median price cap in pre- and post-Seed bridges was \$12M and \$47M, respectively. The Q1 2022 median price cap in pre- and post-Seed bridges was 80% of the purchase price and \$43M, respectively.

⁵ Of the 2017 post-Seed bridges that had a discount on conversion into equity, 13% also had warrants. Of the 2018 post-Seed bridges that had a discount on conversion into equity, 11% also had warrants. Of the 2019 post-Seed bridges that had a discount on conversion into equity, 7% had warrants. Of the 2020 post-Seed bridges that had a discount on conversion into equity, 7% had warrants. Of the 2021 post-Seed bridges that had a discount on conversion into equity, 3% had warrants. Of the Q1 2022 post-Seed bridges that had a discount on conversion into equity, 0% had warrants.

Beauhurst

UK Investment Update, Q1 2022

During Q1 2022, a record £8.79B was invested into private UK companies across 769 announced equity rounds. This marks a 58% increase in deal value from the same quarter in 2021, despite the exact same number of equity deals being secured in each.

Deal volume was up 13% from Q4 2021, however, thanks to increases at the seed (21%) and venture (14%) stages of evolution. Companies operating at the later stages fared less well, with a 7% decline in deal numbers for established-stage businesses.

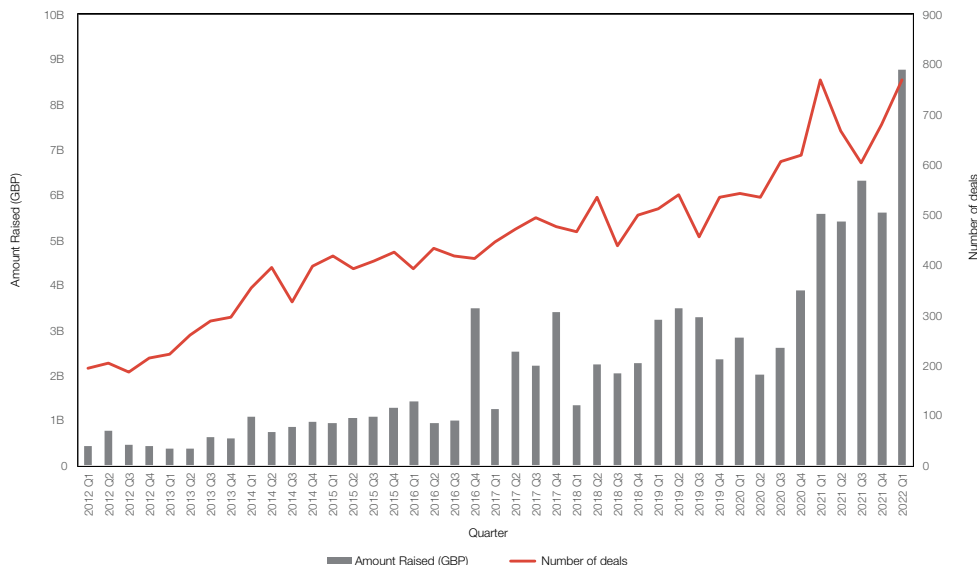
But despite securing more deals, the seed stage was the only stage of evolution to see a drop in amount raised from the previous quarter. Total funds secured fell to £415M in Q1—down from £447M in Q4 2021, having peaked at £975M in Q4 2020. Across every other stage of evolution, amount raised during the quarter reached record levels.

A Record Number of Gigadeals Completed

With more capital deployed in Q1 2022 than in the whole of 2018, it may come as no surprise that deal sizes have grown considerably over the past few years. As the market continued to mature, the median deal size in the UK reached £1.25M, up 43% since Q1 2021.

In fact, 35 megadeals (investments worth £50M or more) were secured by high-growth UK companies in Q1 2022, together amounting to 39% of all pounds

Number of Deals and Amount Raised



invested during the quarter. A record 17 of these were gigadeals (£100M+), which is more than the total secured in 2020. The largest round of the quarter went to Northumberland-based cleantech company Britishvolt, which secured a massive £1.70B.

On the other end of the scale, it's encouraging to see that the proportion of deals worth less than £500k is also increasing, after a considerable decline between Q3 2020 and Q3 2021. Nonetheless, these smaller rounds, typically used by early-stage start-ups to gain initial traction, still make up just 27% of deals.

Regional Disparities Remain

Just one in four megadeals completed in Q1 went to companies headquartered outside of London, as traditional

regional disparities remain. Overall, 53% of deals went to London-based companies, the largest proportion on record. The capital also took a massive 61% of pounds invested during the quarter.

Despite receiving just 10 deals, Northern Ireland was one of only three UK regions to see an increase in deal volume since Q1 2021. The others were Yorkshire & The Humber and London, which both secured a record number of deals (31 and 409, respectively). In terms of amount raised, record quarters were also seen in London (£5.37B), the North East of England (£1.83B), and Scotland (£259M).

Cleantech Shows Strong Growth

Q1 2022 was an impressive quarter for many of the UK's high-growth tech sectors. Fintech continued to dominate,

securing 88 deals and £2.46B in total. Indeed, we saw huge investments into several of the country's top fintech companies, including Checkout.com (£730M), Lendable (£210M), and ClearBank (£175M).

It was cleantech, however, that saw particularly impressive growth during the quarter, with 67 deals worth a combined £2.29B. Hot on fintech's heels, this impressive amount of cleantech funding compares to just £717M in

Q4 2021. With the help of Britishvolt's billion-pound round and an increased focus on green technologies after the UN Climate Change Conference in November, cleantech companies raised 26p for every £1 invested in Q1.

Looking to the Future

2022 is looking very promising so far, on track to be another record-breaking year for the UK's high-growth economy. With round sizes continuing to grow

and some of the biggest deals completed to date, we're excited to see innovative technologies emerging from a wide range of sectors. In the coming months, we hope to see a balancing out of opportunities across the UK's regions, and a greater proportion of funds going to companies at the seed stage.

About Beauhurst

Beauhurst is a searchable database of the UK's high-growth companies. We report on all equity fundraisings in the United Kingdom, both those announced in the press and those that go unannounced. Alongside this, we track all grants awarded to UK companies, as well as their financial accounts, key people, accelerator attendances, university spinout events, management buy-ins, and more. Through this private research and data curation, we have built a database of more than 30,000 high-growth private companies in the UK, many of which are solving global problems and pioneering new technology.

www.beauhurst.com

Wilson Sonsini Named to *Fast Company's* ...

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that are making the biggest impact on their industries and culture as a whole—ultimately thriving in today's ever-changing world. These companies are creating the future today with some of the most inspiring accomplishments of the 21st century. In addition to the World's 50 Most Innovative Companies, 528 organizations were recognized across 52 categories.

As its next paradigm leap in transforming the legal industry, Wilson Sonsini launched Neuron, a next-generation proprietary software platform

that streamlines, automates, and digitizes the typical legal processes along a start-up's journey—from formation to exit. Combined with world-class legal expertise, Neuron delivers high-quality, responsive, and efficient technology-enabled legal services to the firm's start-up clients. This enterprise-class technology solution addresses start-up clients' need for fast, frictionless, yet highly personalized service.

The World's Most Innovative Companies is *Fast Company's* signature franchise and one of its most highly anticipated

editorial efforts of the year, providing both a snapshot and a road map for the future of innovation across the most dynamic sectors of the economy. The publication's Most Innovative Companies issue (March/April 2022) is available online at <https://www.fastcompany.com/most-innovative-companies/list>.

For more information, please see the firm's [press release](#) on the recognition.

Venture Finance Trends with Wilson Sonsini and Nasdaq Entrepreneurial Center

Every quarter, Wilson Sonsini joins the Nasdaq Entrepreneurial Center and special guests for a virtual event titled “Venture Finance Trends.” The event provides insight into the venture financing outcomes discussed in the latest edition of *The Entrepreneurs Report*. Our experts share details directly from the publication and discuss what the numbers mean for the year ahead.

For more information and to register for upcoming sessions, please visit <https://thecenter.nasdaq.org/>.

Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm’s corporate and securities attorneys and analyzed by the firm’s Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini Goodrich & Rosati represented either the company or one or more of the investors.



If you're a founder, entrepreneur, or venture capitalist, be sure to check out our digital hub for unparalleled access to a wide range of free legal resources, tools, and insights—including an [FAQ](#) section for founders!

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Wilson Sonsini has 18 offices in technology and business hubs worldwide. For more information, visit wsgr.com/offices.

For more information on the current venture capital climate, please contact any member of Wilson Sonsini Goodrich & Rosati’s emerging companies practice. To learn more about Wilson Sonsini’s full suite of services for entrepreneurs and early-stage companies, please visit the emerging companies section of wsgr.com.

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